

CAMPUS FACILITIES, INC.
BOSSIER CITY, LOUISIANA
DECEMBER 31, 2011 AND 2010

CAMPUS FACILITIES, INC.

BOSSIER CITY, LOUISIANA

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AUDITED FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

June 20, 2012

The Board of Directors
Campus Facilities, Inc.
Bossier City, Louisiana

Independent Auditor's Report

We have audited the accompanying statements of financial position of Campus Facilities, Inc. at December 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Campus Facilities' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Campus Facilities, Inc. at December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2012, on our consideration of Campus Facilities' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Heard, McElroy & Vestal, LLC

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hmv@hmvcpa.com E-MAIL
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CAMPUS FACILITIES, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2011 AND 2010

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Restricted cash and cash equivalents-Note 2	1,898,907	1,703,709
Capital assets-Note 3	<u>49,563,648</u>	<u>51,061,037</u>
Total assets	<u>51,462,555</u>	<u>52,764,746</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities:</u>		
Accounts payable	190,140	-
Accrued interest payable	189,057	193,910
Bonds payable	44,660,000	46,465,000
<u>Less</u> -original issue discount	(298,254)	(316,895)
<u>Plus</u> -original issue premium	-	11,564
Net bonds payable-Note 4	<u>44,361,746</u>	<u>46,159,669</u>
Total liabilities	44,740,943	46,353,579
<u>Temporarily restricted net assets</u>	<u>6,721,612</u>	<u>6,411,167</u>
Total liabilities and net assets	<u>51,462,555</u>	<u>52,764,746</u>

See accompanying notes to financial statements.

CAMPUS FACILITIES, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>Revenues:</u>		
Rent income	4,409,844	4,407,229
Interest and dividends	<u>1,033</u>	<u>1,205</u>
Total revenues	4,410,877	4,408,434
<u>Expenses:</u>		
Amortization of bond discount-Note 4	18,641	18,641
Accretion of bond premium-Note 4	(11,564)	(12,615)
Interest expense on bonds	2,322,064	2,373,036
Legal and professional services	18,397	19,071
Insurance	3,054	3,042
Repairs and maintenance	244,421	127,572
Equipment	8,030	1,192
Depreciation	<u>1,497,389</u>	<u>1,504,813</u>
Total expenses	<u>4,100,432</u>	<u>4,034,752</u>
<u>Change in temporarily restricted net assets</u>	310,445	373,682
<u>Temporarily restricted net assets at beginning of year</u>	<u>6,411,167</u>	<u>6,037,485</u>
<u>Temporarily restricted net assets at end of year</u>	<u>6,721,612</u>	<u>6,411,167</u>

See accompanying notes to financial statements.

CAMPUS FACILITIES, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>Cash flows from operating activities:</u>		
Rent income	4,409,844	4,407,229
Interest received on investments (not capitalized)	1,033	1,205
Payments for services	(18,397)	(19,323)
Payments for repairs and maintenance (not capitalized)	(54,281)	(127,572)
Payments for miscellaneous items	(11,084)	(4,234)
Interest paid on bonds (not capitalized)	<u>(2,326,917)</u>	<u>(2,377,228)</u>
Net cash provided by operating activities	2,000,198	1,880,077
<u>Cash flows from investing activities:</u>		
Purchase of capital assets	<u>-</u>	<u>(19,166)</u>
Net cash (used) by investing activities	-	(19,166)
<u>Cash flows from financing activities:</u>		
Principal retirement of bonds	<u>(1,805,000)</u>	<u>(1,750,000)</u>
Net cash (used) by financing activities	<u>(1,805,000)</u>	<u>(1,750,000)</u>
<u>Net increase (decrease) in cash and cash equivalents</u>		110,911
<u>Cash and cash equivalents at beginning of year</u>	<u>1,703,709</u>	<u>1,592,798</u>
<u>Cash and cash equivalents at end of year</u>	<u>1,898,907</u>	<u>1,703,709</u>
<u>Reconciliation of change in temporarily restricted net assets to net cash provided by operating activities:</u>		
Change in temporarily restricted net assets	310,445	373,682
Adjustments to reconcile change in temporarily restricted net assets to net cash provided by operating activities:		
Amortization of bond discount	18,641	18,641
Accretion of bond premium	(11,564)	(12,615)
(Decrease) in payables (services, miscellaneous, interest)	185,287	(4,444)
Depreciation	<u>1,497,389</u>	<u>1,504,813</u>
Net cash provided by operating activities	<u>2,000,198</u>	<u>1,880,077</u>

See accompanying notes to financial statements.

CAMPUS FACILITIES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

1. Summary of Significant Accounting Policies

Nature of Activities

Campus Facilities, Inc. (the "Corporation") was formed May 31, 2001 to provide funds for and oversee construction of the campus to be occupied upon completion by Bossier Parish Community College. The construction project was funded by Louisiana Local Government Environmental Facilities and Community Development Authority (the "Authority") Revenue Bonds. The proceeds of the bonds were loaned by the Authority to the Corporation pursuant to a Loan and Assignment Agreement dated April 1, 2002 and were used for (1) financing a portion of the costs of the development, design and construction of a new campus and related facilities (the "Facilities") for students, faculty and staff of Bossier Parish Community College; (2) paying capitalized interest on the bonds; and (3) paying costs of issuance of the bonds.

The Board of Supervisors of the Louisiana Community and Technical College System (the "LCTCS Board"), an agency of the state, is leasing the unimproved land on which the campus was constructed to the Corporation pursuant to a Ground Lease Agreement dated April 1, 2002. The Corporation was obligated under the Ground Lease to construct the Facilities in accordance with the plans and specifications approved by an Advisory Committee of the Corporation, as set forth in the Ground Lease. Upon completion of construction, the Corporation began subleasing the Facilities back to the LCTCS Board pursuant to an Agreement to Lease with Option to Purchase (the "Facilities Lease") dated April 1, 2002. The source of repayment of the bonds will be payments of the base rental received by the Corporation from the LCTCS Board pursuant to the Facilities Lease. These payments of base rental will enable the Corporation to make its required payments to the Authority under the loan agreement; provided, however, the availability of the base rental payable by the LCTCS Board is subject to annual appropriation of funds to the LCTCS Board sufficient for such purpose by the Legislature. (See Note 5).

Basis of Financial Statements

The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of financial position and statement of activities for the period. Actual results could differ from those estimates.

Net assets, revenues, expenses, gains and losses are classified based upon the existence or absence of donor-imposed restrictions. All of the net assets of the organization are temporarily restricted for the purpose of constructing and equipping the Facilities at December 31, 2011 and 2010.

Cash Equivalents

For financial statement purposes, the Corporation considers all demand deposits and deposits in money market funds to be cash equivalents. Cash equivalents are stated at cost, which approximates market value.

1. Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the Corporation's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Renovations to building, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and infrastructure, 20 years for depreciable land improvements, and 3 to 10 years for most movable property.

Income Taxes

As a nonprofit organization, the Corporation is exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code, but must file an annual return with the Internal Revenue Service that contains information on its financial operations. Therefore, no provision for income taxes has been made in the financial statements. The Corporation is required to review various tax positions it has taken with respect to its exempt status and determining whether in fact it continues to qualify as a tax exempt entity. It must also consider whether it has nexus in jurisdictions in which it had income and whether a tax return is required in those jurisdictions. In addition, as a tax exempt entity, the Corporation must assess whether it has any tax positions associated with unrelated business income subject to income tax. The Corporation does not expect any of these tax positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in the Corporation's accounting records.

The Corporation is required to file U.S. federal Form 990 for informational purposes. Its federal income tax returns for the tax years 2008 and beyond remain subject to examination by the Internal Revenue Service.

2. Cash and Cash Equivalents

Cash and cash equivalents consist of the following at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Demand deposits	63,048	91,242
Common trust funds	<u>1,835,859</u>	<u>1,612,467</u>
	<u>1,898,907</u>	<u>1,703,709</u>

Demand deposits are maintained at a single financial institution, and the balance in excess of the federal deposit insured amount of \$250,000 is exposed to custodial credit risk. Common trust funds consist of money market funds collateralized by U.S. Treasury securities held by the trust department of a single financial institution. Such common trust funds are exposed to custodial credit risk because the funds are uninsured and collateralized with securities held by the financial institution's trust department but not in the Corporation's name. Cash and cash equivalent balances are subject to various restrictions related to the constructing and equipping of the Facilities and the maintenance of the Facilities.

3. Capital Assets

Capital assets activity for the year ended December 31, 2011 were as follows:

	<u>Balance</u> <u>12/31/10</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance</u> <u>12/31/11</u>
Capital assets not being depreciated:				
Construction in progress	-	-	-	-
Total capital assets not being depreciated	-	-	-	-
Other capital assets:				
Buildings	58,793,069	-	-	58,793,069
Less-accumulated depreciation	(8,753,922)	(1,469,827)	-	(10,223,749)
Total buildings	50,039,147	(1,496,827)	-	(48,569,320)
Equipment	141,332	-	-	141,332
Less-accumulated depreciation	(135,271)	(1,515)	-	(136,786)
Total equipment	6,061	(1,515)	-	4,546
Athletic fields	1,041,876	-	-	1,041,876
Less-accumulated depreciation	(26,047)	(26,047)	-	(52,094)
Total athletic fields	1,015,829	(26,047)	-	989,782
Total other capital assets	51,061,037	(1,497,389)	-	49,563,648
Capital asset summary:				
Capital assets not being depreciated	-	-	-	-
Other capital assets, at cost	59,976,277	-	-	59,976,277
Total cost of capital assets	59,976,277	-	-	59,976,277
Less-accumulated depreciation	(8,915,240)	(1,497,389)	-	(10,412,629)
Capital assets, net	51,061,037	(1,497,389)	-	49,563,648

Capital assets consist of nine buildings on the college campus totaling approximately 334,000 square feet of space. The campus has a library and bookstore, administrative offices, classroom and lab space, a health and physical education facility, a Culinary Arts area, a student activity center and a theater/auditorium, along with a separate power plant building.

The Corporation entered into a contract (the "Design-Build Contract") with Shreve Land Construction, a division of Brice Building Company, Inc. (the "Builder") to provide for the design and construction of the campus. Pursuant to the Design-Build Contract, the Builder entered into a subcontract with Slack, Alost, McSwain and Associates (the "Architect") to perform design and engineering services for the campus.

The Design-Build Contract required the Builder to perform the design and engineering of the campus as generally described in a master plan prepared for the LCTCS Board. The Architect worked concurrently with the Builder, the Corporation and the Corporation's Advisory Committee to design the campus. Upon the Corporation's approval of the designed campus, the Builder provided the Corporation with a guaranteed maximum price to construct the campus, including all fees for the Builder and the Architect. The Corporation and the Builder subsequently amended the Design-Build Contract to describe more fully the facilities to be constructed and the guaranteed maximum price to be paid by the Corporation. Construction of the campus was completed in two phases. The buildings constructed in Phase I were substantially completed and placed in service in January 2005. Phase II

3. Capital Assets (Continued)

construction included a gym and a theater. The gym was substantially completed and placed in service in November 2005, and the theater was substantially completed and placed in service in February 2006.

During February 2009, the Corporation entered into a contract for the construction of two athletic fields. The fields, at a cost of \$1,041,876, were placed in service in 2010.

4. Bonds Payable

During 2002, \$45,000,000 in Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds were issued for the purpose of providing funds to pay for the construction of the campus to be occupied by Bossier Parish Community College. In June 2003, \$10,000,000 in Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds were issued to provide additional funds to complete construction. Following is a summary of bonds payable at December 31:

	<u>2011</u>	<u>2010</u>
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds, Series 2002 Serial Bonds, interest rates ranging from 4.20% to 5.25%, principal payments begin December 1, 2011, final maturity December 1, 2018.	15,165,000	15,505,000
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds, Series 2002 Term Bonds, \$18,105,000 bearing interest at 5.125% due December 1, 2024, \$11,390,000 bearing interest at 5.20% due December 1, 2027.	29,495,000	29,495,000
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds, Series 2003 interest rates ranging from 2.0% to 3.0%, principal payments begin December 1, 2005, final maturity December 1, 2011.	<u>-</u> 44,660,000	<u>1,465,000</u> 46,465,000
<u>Less</u> -original issue discount (2002 Bonds)	(298,254)	(316,895)
<u>Plus</u> -original issue premium (2003 Bonds)	<u>-</u>	<u>11,564</u>
Total bonds payable	<u>44,361,746</u>	<u>46,159,669</u>

The 2002 bonds were issued at a discount of \$478,450. This discount is being amortized over the life of the bonds on the straight-line basis. Amortization expense recorded in the statement of activities totaled \$18,641 and \$18,641 for the years ended December 31, 2011 and 2010, respectively. The

4. Bonds Payable (Continued)

2003 bonds were issued at a premium of \$107,229. This premium is being amortized over the life of the bonds on the straight-line basis. Accretion recorded in the statement of activities totaled \$11,564 and \$12,615 for the years ended December 31, 2011 and 2010, respectively.

The annual debt service requirements to maturity, including principal and interest, for bonds payable as of December 31, 2011 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	1,865,000	2,268,686	4,133,686
2013	1,955,000	2,188,491	4,143,491
2014	2,040,000	2,101,494	4,141,494
2015	2,150,000	2,008,674	4,158,674
2016	2,260,000	1,895,799	4,155,799
2017-2021	13,250,000	7,576,244	20,826,244
2022-2026	17,140,000	3,790,487	20,930,487
2027	<u>4,000,000</u>	<u>208,000</u>	<u>4,208,000</u>
	<u>44,660,000</u>	<u>22,037,875</u>	<u>66,697,875</u>

Payments of scheduled principal and interest on the bonds, when due, are insured by MBIA Insurance Corporation.

5. Risks and Uncertainties

As discussed in Note 1, the Corporation is dependent upon the State Legislature appropriating funds to the LCTCS Board sufficient to make payments of base rental to the Corporation. The State, the LCTCS Board and the Corporation entered into a Cooperative Endeavor Agreement dated January 1, 2002 pursuant to which the Commissioner of Administration agreed to include in the Executive Budget and request that the State Legislature provide funding for the payment of Base Rental pursuant to the Facilities Lease. A failure by the Legislature to appropriate sufficient funds to satisfy the obligations of the LCTCS Board under the Facilities Lease would permit the LCTCS Board to terminate the Facilities Lease without any further obligations. Absent an appropriation by the Legislature sufficient to allow the LCTCS Board to make payments of base rent under the Facilities Lease, the Corporation will have no obligation to make payments under the Loan Agreement. The LCTCS Board is under no obligation to use any of its other funds to make payments of base rental.

6. Subsequent Event

In accordance with FASB Accounting Standards Codification Topic 740, "*Subsequent Events*," the Corporation evaluated events and transactions that occurred after the balance sheet date but before the financial statements were made available for potential recognition or disclosure in the financial statements. The Corporation evaluated such events through June 20, 2012, the date the financial statements were available to be issued, and noted no subsequent events.

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

June 20, 2012

The Board of Directors
Campus Facilities, Inc.
Bossier City, Louisiana

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

We have audited the financial statements of Campus Facilities, Inc. as of and for the year ended December 31, 2011 and have issued our report thereon dated June 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Campus Facilities, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of Campus Facilities, Inc. are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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This report is intended solely for the information and use of management, the board of directors, and the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

Heard, McElroy & Vostal, LLC

CAMPUS FACILITIES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2011

We have audited the financial statements of Campus Facilities, Inc. as of and for the year ended December 31, 2011, and have issued our report thereon dated June 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2011 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

- a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control – No material weaknesses were noted.

Compliance – No material noncompliance was noted.

- b. Federal Awards – Not applicable.

Section II - Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

Not applicable.

CAMPUS FACILITIES, INC.
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011

In the prior year, there were no findings.